

Limited Liability Company
(Sabiedrība ar ierobežotu atbildību)
Citrus Solutions

Annual report for 2015

PREPARED IN ACCORDANCE WITH LATVIAN LEGISLATION
REQUIREMENTS
AND INDEPENDENT AUDITORS' REPORT

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Information on the Company

Name of the Company:	Citrus Solutions
Legal status:	Limited liability company (Sabiedrība ar ierobežotu atbildību)
Number, place and date of registration:	50003752271, Riga, 28 June 2005
Legal address:	Ūnijas iela 52, Riga, LV – 1084, Latvia
Shareholder:	SIA <i>Lattelecom</i> (100%) Dzirnavu iela 105, Riga LV – 1011, Latvia Reg. No. 40003052786
Core business types (NACE code):	43.21, 42.22, 43.29, 74.10, 80.20, 43.22
Board:	Miks Stūrītis – chairman of the board (from 12.03.2011) Jūlija Grinberga – member of the board (from 02.05.2012) Raimonds Gerbis - member of the board (from 22.05.2015) Dace Mačuļska - member of the board (from 22.05.2015) Gusts Muzikants - member of the board (from 17.12.2012 till 22.05.2015) Zane Jozepa - member of the board (from 17.12.2012 till 22.05.2015)
Reporting year:	1 January 2015 – 31 December 2015
Previous reporting year:	1 January 2014 – 31 December 2014
Auditors and their address:	Deloitte Audits Latvia SIA Licence No. 43 Grēdu iela 4a, Riga, LV-1019, Latvia Elīna Sedliņa Sworn Auditor Certificate No. 179

Management report

SIA *Citrus Solutions* (hereinafter *Citrus Solutions* or the Company) management provides the management report about the reporting year ended in 31 December 2015.

OVERVIEW OF THE COMMERCIAL OPERATIONS

The year 2015 was the tenth full year of operation of *Citrus Solutions*. The company's core business lines have remained the same – designing, construction and servicing of engineering systems and infrastructure. In 2015 the Company has actively expanded heating, ventilation and conditioning (HVC) business line.

Among *Citrus Solutions* clients are construction companies and design offices, operators of landline and mobile communications, state and municipal companies, agencies and institutions, private and corporate investors, water and heating supply companies, air traffic services providers.

According to the clients' needs, *Citrus Solutions* offers integrated solutions that include full range of establishment and development services of infrastructure - starting with assessment and designing of the existing situation and ending with implementation and maintenance of the project.

The business scope of *Citrus Solutions* is solutions for telecommunication infrastructure and buildings management systems, all types of security systems, external and internal electronic networks, production automatics, designing and construction of data centers, designing, construction and maintenance of heating, ventilation and conditioning systems, as well as other technical solutions and engineering communications constructions related with low-voltage or electrical networks, equipment and their common management.

In 2015 realized projects of *Citrus Solutions* reflect the Company's ability to integrate different solutions, as well as to manage full spectrum of internal network construction and hardware security in the construction object. The Company's clients have appreciated the management of complex integrated projects and the ability independently to adapt to the customer's changing needs, especially offering the best solutions and alternatives during the realization of project.

In 2015, the Company employed on average 260 employees, about 200 of which are highly qualified engineers and technical specialists. There were organized trainings for the managers on the operational level in order to improve their planning, delegation, communication and employees management skills. The employees' qualification was expanded in such spheres as development, design and construction of telecommunication, electrical equipment, ventilation systems and security systems solutions. Several regulated certificates related to the Company's operations were obtained. The Company's employees, as well as technical resources are located in the entire territory of Latvia, including the largest towns of Latvia.

To provide the necessary range of services for the clients *Citrus Solutions* has concluded cooperation contracts with partners in Latvia and abroad on supply of equipment, cables, systems and technical materials, as well as for performing the construction works. Stabilizing the range of partners within one proposal for the clients are offered recruitment of different equipment, design and construction of telecommunication, electricity supply and other infrastructures.

The Company's management system is certified in according with the requirements of two internationally recognized standards - ISO 9001:2008 and since 19 October 2015 - ISO 14001:2004. Certification scopes: research and development, design, construction and maintenance of the automation, telematics, security and other low-voltage systems, electrical installations and telecommunication solutions. Design, installation and technical service of ventilation and conditioning systems. The certificates will be valid till 30 April 2017. Since 2006, the Company has *Certificate of industrial safety* that confirms the Company's rights to perform work that contains state secrets, classified information of international organizations or foreign countries and the Company's ability to ensure protection of such information. Since 2011, the Company has *Railway security certificate* that allows to perform works at the protected areas of railway.

MANAGEMENT REPORT (continued)

SHARE CAPITAL

At the end of 2015, *Citrus Solutions* share capital was EUR 1 070 999 that consists of 1 070 999 shares, with the nominal value of EUR 1. On 8 June 2015 in the Register of Enterprises there was made the re-registration of share capital from lats to euro currency. SIA *Lattelecom* owns 100% of the share capital of *Citrus Solutions*.

SHARES IN OTHER COMPANIES

Citrus Solutions holds 1.85% shares of *Pirmais slēgtais pensiju fonds*. The Company is only a formal shareholder, as all the risk arising from the operations of the pension fund and income is owned by the employees of *Citrus Solutions* – participants of the pension program.

OPERATING RESULTS

In the reporting year *Citrus Solutions* net turnover reached EUR 25 million.

In 2015 the company's largest projects were construction works of power supply, low-voltage networks, management automation systems, ventilation systems, conditioning systems and Data center of C.T.Co office (the client SIA *Fraternitas*). In 2015 *Citrus Solutions* as the general constructor has performed reconstruction works of SIA *Lattelecom* office, providing general construction works and systems construction. The company participated in reconstruction of Island Bridge (*Salu tilts*), where performed electrotechnical works, as well as participated in the construction of strategically important protection objects of several countries.

Citrus Solutions continued the cooperation with SJSC RIGA International Airport (VAS „Starptautiskā lidosta Rīga”), performing modernization of security systems, as well as carried out other development projects in the airport area and commercial zone.

In the second half of 2015 there were started works in several major projects: A block of Pauls Stradins Clinical University Hospital, Dynamic Rotary Ups Integration of SJSC "Latvian Air Traffic" (VAS *Latvias Gaisa satiksme*) KDP building, Security Solution for the Aerodrome Perimeter, Stage 2 of SJSC RIGA International Airport (VAS Starptautiskā lidosta “Rīga”).

Citrus Solutions normalized EBITDA¹ in 2015 was EUR 0.74 million, EBITDA profit margin was 2.9%.

The amount of capital investments during the reporting year reached EUR 141 thousand that was used for the renewal of production means and improvement of information technologies. In 2015 the Company has paid EUR 1.6 million in different taxes, considering the received re-payments.

PROFIT DISTRIBUTION SUGGESTED BY THE BOARD

The board suggests to distribute the profit in amount of EUR 541 108 in dividends to the shareholders.

MANAGEMENT OF THE COMPANY

According to the Commercial Law, the Company's statutes anticipates two-level management procedure, which, according to the decision of the Company's Shareholders' meeting of 11 November 2008, is realized by the Shareholders' meeting and Board.

Till 22 May 2015 the company's members were Miks Stūrītis (Chairman of the board), Jūlija Grinberga, Zane Jozepa and Gusts Muzikants. On 22 May 2015 the company's management were changed and the board continued to operate in such structure: Miks Stūrītis (Chairman of the Bboard), Jūlija Grinberga, Raimonds Gerbis, Dace Mačuļska.

DISCLOSABLE INTEREST

Citrus Solutions member of the boards and their family members or in their management existing companies do not have parts or parts options contracts in the company *Citrus Solutions* or companies of *Lattelecom* group. The members of the board do not have interest in contracts or agreements related with *Citrus Solutions*.

¹ Normalized EBITDA (profit from the operating activities before interest, taxes, depreciation, amortization, losses from disposal of fixed assets and termination benefits) there is mentioned as a ratio widely used in telecommunications industry and investors' environment although it is not a common accounting term and it should not be explained as an alternative to profit and cash flow from operating activity.

MANAGEMENT REPORT (continued)

THE BOARD'S RESPONSIBILITY FOR THE ANNUAL REPORT

The board is responsible for preparation of the Company's financial statements on the basis of the Company's initial accounting records for each reporting period.

The financial statements give a fair view of the Company's financial state at the end of the reporting year, business result and cash flow for the reporting year. The board confirms that in the preparation of the financial statements for 2015 set out on pages 7 to 27 there have been consistently used applying appropriate accounting records methods, as well as there were made cautious estimates and forecasts. The board confirms that the requirements of the Latvian legislation have been met and the financial statements has been prepared on the going concern basis.

The board is responsible for the appropriate accounting records and taking action, in order to save the Company's funds, reveal and avoid fraud and other irregularities.

RISK MANAGEMENT

Operations of *Citrus Solutions* are subject to several risks caused by business environment and market in which the Company operates. The most significant risks that could threaten *Citrus Solutions* operations in the future are such strategic risks as changes in the development of construction market, decrease or increase of construction prices.

Operational risks are related with the ability to realize large and complex projects.

The management of financial risks in relation to the Company's liquidity, currency and interest rate fluctuations and credit risk of cooperation partners is based on financial risk management policy of *Lattelecom* group and it has been set out in the financial statements' Note 28 *Financial risk management*.

Citrus Solutions performs identification, evaluation of risks and develops operating plans to prevent, reduce or transfer risks to third parties that might have an adverse effect on, property, staff, finances or operating results of *Citrus Solutions*. To avoid a financial losses in case any of the risks would materialize, part of those are insured. Currently *Citrus Solutions* has insurance cover in such spheres as property, commercial termination, civil third party liability, construction specialists' civil third party liability and employees' insurance.

EVENTS AFTER THE END OF REPORTING YEAR

In the period since the last date of the reporting year till the signing of this report there were no considerable events that would significantly impact the results of reporting year.

FURTHER DEVELOPMENT OF THE COMPANY

In future years, the Company's development is related to obtaining and implementation of orders of external clients (outside *Lattelecom* group), which will be the main priority of the Company.

Ability to offer integrated solutions to clients has served as a competitive advantage of the Company that will help to obtain new contracts with a higher added value.

AUDITORS

Audit of the financial statements that is included in pages from 7 to 27 was performed by SIA "Deloitte Audits Latvia" in accordance with the International Standards on Auditing.

On behalf of the Board

Chairman of the board _____ /Miks Stūrītis/

Riga, 22 January 2016

Profit or loss account
(according to period costs method)

	Notes	2015 EUR	2014 EUR
NET TURNOVER	1	25 023 566	23 693 430
Costs (capitalized) referenced to own long-term investments	2	1 470	-
Other operating income	3	47 104	38 017
Cost of materials:			
a) costs of raw materials and consumables;		(1 617 839)	(701 516)
b) other external costs		(83 001)	(14 392)
		(1 700 840)	(715 908)
Personnel costs:			
a) remuneration for work;		(4 265 710)	(4 503 106)
b) pensions from company funds;		(18 154)	(20 655)
c) state mandatory social insurance payments;		(964 313)	(1 058 252)
d) other social insurance costs		(224 643)	(218 163)
		(5 472 820)	(5 800 176)
Write-offs and value adjustments:			
a) depreciation and write off of fixed and intangible assets;	8, 9	(175 633)	(156 320)
b) write-off of the value of current assets	4	(310 158)	(158 082)
Other operating expenses	5	(16 852 404)	(16 035 964)
Other income from interest and similar income	6	45 876	11 292
Interest payments and similar costs	6	(13 737)	(12 311)
PROFIT OR LOSS BEFORE TAXES		592 424	863 978
Corporate income tax	7	(139 329)	277 195
Deferred tax	7	88 013	(455 070)
PROFIT OR LOSS FOR THE ACCOUNTING YEAR		541 108	686 103

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board _____/Miks Stūrītis/

Riga, 22 January 2016

Balance Sheet

ASSETS	Notes	31 December 2015 EUR	31 December 2014 EUR
LONG-TERM INVESTMENTS			
Intangible assets			
Other intangible assets		40 635	50 485
Creation of intangible assets		28 090	-
Total intangible assets	8	68 725	50 485
Fixed assets			
Buildings		4 862	5 774
Equipment and machinery		6 376	3 835
Other fixed assets and inventory		322 444	344 926
Creation of fixed assets		35 197	67 316
Total fixed assets	9	368 879	421 851
Long-term financial investments			
Deferred tax assets	7	454 696	366 683
Total long-term financial investments		454 696	366 683
Total long-term investments		892 300	839 019
CURRENT ASSETS			
Inventories			
Raw materials, basic materials and consumables		2 186 055	1 494 956
Advance payments for goods		55 890	-
Total inventories	10	2 241 945	1 494 956
Debtors			
Trade receivables	11	5 608 303	1 838 022
Receivables from related companies	22c	2 881 597	1 296 222
Other debtors	12	1 229 143	357 717
Prepaid expenses		8 429	6 896
Accrued income	13	3 590 341	3 696 979
Total debtors		13 317 813	7 195 836
Cash	14	586 836	111 160
Total current assets		16 146 594	8 801 952
TOTAL ASSETS		17 038 894	9 640 971

The notes on pages 12 to 26 form an integral part of these financial statements.

Balance Sheet

LIEABILITES	Notes	31 December 2015 EUR	31 December 2014 EUR
EQUITY			
Share capital	15	1 070 999	1 071 000
Reserves	15a	(12 935)	-
Retained profits of the reporting year		541 108	686 103
Total Equity		1 599 172	1 757 103
PROVISIONS			
Other provisions	16	618 326	879 672
Total provisions		618 326	879 672
CREDITORS			
Short-term creditors			
Advanced payments from customers		1 817 909	975 828
Accounts payable	17	3 738 523	2 270 726
Debts to related companies	22c	6 864 142	1 960 185
Taxes and State mandatory social insurance payments	18	225 664	156 149
Other creditors	19	1 612	1 787
Deferred income	20	-	10 301
Accrued liabilities	21	2 173 546	1 629 220
Total short-term creditors		14 821 396	7 004 196
Total creditors		14 821 396	7 004 196
TOTAL LIEABILITES		17 038 894	9 640 971

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board _____/Miks Stūrītis/

Riga, 22 January 2016

Statement of changes in equity

	Share capital	Reserves	Retained profits	Total
	EUR	EUR	EUR	EUR
Balance at 31 December 2013	1 071 000	-	816 292	1 887 292
Dividends paid	-	-	(816 292)	(816 292)
Profits of the reporting year	-	-	686 103	686 103
Balance at 31 December 2014	1 071 000	-	686 103	1 757 103
Dividends paid	-	-	(686 103)	(686 103)
Profits of the reporting year	-	-	541 108	541 108
Financial instrument revaluation reserve (Note 28)	-	(12 935)	-	(12 935)
The denomination of the share capital from lats to euro	(1)	-	-	(1)
Balance at 31 December 2015	1 070 999	(12 935)	541 108	1 599 172

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board _____/Miks Stūrītis/

Riga, 22 January 2016

Cash flow statement

(according to the indirect method)

	Notes	2015 EUR	2014 EUR
Cash flows from operating activities			
Profit before taxes		592 424	863 978
Adjustments:			
- amortization of intangible assets;	8	18 177	9 066
- depreciation of fixed assets;	9	157 456	147 254
- losses from the sales of fixed assets /(gains);	5, 3	90	(5 353)
- provisions (excluding provisions for doubtful debts);	16	(261 346)	512 923
- net exchange rate fluctuations;		(21 694)	(11 703)
- interest payments	6	13 737	12 311
Profit before adjustments for the effect of changes to current assets and short term liabilities		498 844	1 528 476
Decrease (increase) in accounts receivable		(6 317 861)	1 564 388
Decrease (increase) in inventories		(746 989)	1 086 636
Increase (decrease) in accounts payable and other creditors		3 036 176	(2 200 045)
Gross cash flows from operating activities		(3 529 830)	1 979 455
Interest paid		(11 834)	(13 039)
Corporate income tax paid	18	(90 968)	(458 330)
Net cash flows from operating activities		(3 632 632)	1 508 086
Cash flows from investing activities			
Purchase of fixed and intangible assets		(162 434)	(187 394)
Income from disposal of fixed and intangible assets		9	5 678
Net cash flows from investing activities		(162 425)	(181 716)
Cash flows from financing activities			
Loans received		6 552 441	3 698 661
Repayment of loans		(1 617 299)	(4 274 677)
Dividends paid		(686 103)	(816 292)
Net cash flows from financing activities		4 249 039	(1 392 308)
Result of fluctuations in the foreign currency exchange rates		21 694	11 703
Net (decrease) / increase of cash and cash equivalents		475 676	(54 235)
Cash and cash equivalents at the beginning of the reporting year		111 160	165 395
Cash and cash equivalents at the end of the reporting year	14	586 836	111 160

The notes on pages 12 to 26 form an integral part of these financial statements.

On behalf of the Board

Chairman of the board _____/Miks Stūrītis/

Riga, 22 January 2016

Note of financial statements

Accounting policies

GENERAL INFORMATION

The Limited Liability Company *Citrus Solutions* (hereinafter *Citrus Solutions* or the Company) was established and registered in the Commercial Register of the Republic of Latvia on 28 June 2005 under the common registration number 50003752271, its legal address is Ūnijas iela 52, Rīga. The Company's parent company is *Lattelecom*, which holds 100% of the Company's share capital. The Company's members of the board are Miks Stūrītis (chairman of the board), Jūlija Grinberga (member of the board), Raimonds Gerbis (member of the board since 22 May 2015), Dace Mačuļska (member of the board since 22 May 2015), Gusts Muzikants (member of the board till 22 May 2015), Zane Jozepa (member of the board till 22 May 2015). The main business lines of *Citrus Solutions* are construction and servicing of telecommunication infrastructure for corporate clients. The number of employees at *Citrus Solutions* at the end of the reporting year was 267.

ACCOUNTING AND ASSESSMENT PRINCIPLES

Basis of the preparation of financial statements

The financial statements have been prepared in accordance with the laws "On Accounting" and "Annual Accounts Law" of the Republic of Latvia.

The financial statements have been prepared on the historical cost measurement principle basis except for derivative financial instruments. Derivative financial instruments are stated at fair value in accordance with IAS 39 requirements.

All amounts disclosed in the financial statements are provided in euro (EUR), if not stated otherwise.

The reporting period is the calendar year. The balances on 31 December 2015 represent the financial state of the Company at the end of the day.

The profit or loss account was prepared according to the period costs method.

The cash flow statement is prepared applying the indirect method.

Amounts, whose terms of receipt, payment or write off are due more than one year after the balance sheet date, are classified as long-term. Amounts to be received, paid or written off within one year of the balance sheet date are classified as short term.

Accounting principles

The items of financial statements were evaluated in accordance with the following accounting principles:

- a) assumption that the Company will continue to operate;
- b) will be used the same valuation methods as in the previous year;
- c) evaluation was done with due caution:
 - the financial statements reflect only the profit generated to the date of the balance sheet;
 - all expected risk amounts and losses incurred during the reporting year or prior years have been taken into consideration even if discovered in the period of time between the balance sheet date and the date of preparation of the financial statements;
 - all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit;
- d) income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses were matched with revenue for the reporting period;
- e) assets and liabilities have been valued separately.
- f) the opening balance agrees with the prior year closing balance;
- g) all material items, which would influence the decision-making process of users of the financial statements, have been indicated and insignificant items have been combined and their details disclosed in the notes;
- h) business transactions are recorded taking into account their economic contents and substance, not the legal form.

Accounting policies (continued)

Related parties

The Company considers that related parties are the group's parent company and subsidiaries in the group, as well as other companies which may have a significant impact on the Company's activities.

Other related parties of the Company are the highest level managers of the Company and their close family members, as well as companies under the control or significant influence of such individuals.

Foreign currency revaluation

Transactions in foreign currency are translated into euro on the basis of the reference exchange rate published by the European Central Bank (hereinafter "ECB") that is effective at the beginning of the day when the transaction takes place, however, the last available foreign currency exchange rate that can be used in accounting is applied, if the transaction date is a working day in Latvia but it does not have a published foreign currency exchange rate to be used in accounting, as according to the calendar of foreign currency exchange rate publishing source it is a holiday. Profit or loss resulting from these transactions, as well as resulting from revaluation of monetary assets and liabilities denominated in the local currency is recognized in the profit or loss account.

At the end of the year financial assets and liabilities in foreign currency are revalued on the basis of exchange rate set by the ECB effective on 31 December and fluctuations of currency rate are disclosed in profit or loss account.

Euro exchange rate against currencies in which the Company has had transactions:

	31 December 2015	31 December 2014
USD	1.08870	1.21410
SEK	9.18950	9.39300

Intangible assets

Intangible assets include trademarks, software licences, capitalized project groups' staff expenses and service expenses related to implementation of software. If a software is an integral part of equipment and it cannot operate without the specific program, software is recognized under fixed assets.

Intangible assets are recognized at purchase costs, deducting accumulated amortization and accrued losses from value reduction. Intangible assets are amortized by linear method over their useful life (over 3 to 5 years).

On each balance sheet date, it is assessed whether certain indications exist that would show that the value of an asset might be decreased.

The recoverable value of intangible assets not ready for use is determined every year regardless of the fact whether indications exist that would show that the value of an asset might be decreased. For purposes of impairment assessment, intangible assets are divided in groups so that they would represent as small unit as possible for which it is possible to determine the amount of cash flow.

If the book value of intangible asset is larger than the expected recoverable amount, which is the highest of the net realizable value and value in use, than its book value is immediately reduced to the recoverable value, including the difference in the profit or loss account.

Fixed assets

Fixed assets are carried at purchase costs, deducting accumulated depreciation and accrued losses from value reduction. Depreciation of fixed assets is calculated by linear method, allocating the equally purchase costs of fixed assets until the expected disposal value to the forecast length of useful life of fixed assets:

	Useful life in years
Buildings	7
Energy equipment	10
Other fixed assets	3 – 5

Accounting policies (continued)

Fixed assets (continued)

Useful life of fixed assets is reviewed at least once a year. Impact caused by changes in the useful life is disclosed in the profit or loss account in the period when the changes incurred and in next periods.

If the book value of fixed asset is larger than the expected recoverable amount, which is the highest of the net realizable value and value in use of a fixed asset, its book value is immediately reduced to the recoverable value, including the difference in the profit or loss account.

Current maintenance and repair costs of tangible assets are recognized in the profit or loss account period as incurred.

Profit or loss from disposal of fixed assets are determined by comparing revenue from sales with balance value of fixed assets and are included in the profit from operating activities.

Accounting of lease contracts

Lease transactions that essentially transfer all risks and rewards characteristic of property rights to the object to the lessor are classified as finance lease transactions. All other lease transactions are classified as operating lessee transactions.

(i) The company is a lessor

If the Company's assets are involved in the operating lease, income from operating lease is included in the profit or loss account by linear method during lease period. The initial direct costs arising from the lease transaction are included in the book value of the leased asset and recognized in the profit or loss account in the period, when income from the sales is recognized.

When the Company is a lessor, it discloses the leased asset in the balance sheet as accounts receivable that is equal to the current value of lease payment. Revenue from lease is included in the profit or loss account in the lease contract period applying a constant periodical interest rate for the balance of claims.

(ii) The company is a lessee

Payments made in accordance with the operating lease contract are included in the profit or loss account by linear method over the period of lease.

If the Company is a lessee under financial lease terms, in the balance sheet the Company includes fixed asset and liabilities at the lowest of the fixed asset's fair value at the beginning of the lease or current value of minimum lease payment.

Each lease payment is divided in reduction of liabilities and financial payment that is calculated applying consistent interest rate to the remaining value of liabilities. Interest payments are recognized in the profit or loss account during the period of lease. Leased fixed asset is amortized over the shortest of the lease terms or useful life.

Inventories

Inventories are evaluated by the lowest of the purchase costs or net sales value. Purchase value is determined applying the average weighted inventories evaluation method. In cases, when the net sales value of inventories is lower than weighted average purchase price, for these inventories are created appropriate provisions to reduce their value to net sales value.

Accounts receivable

Accounts receivable represent amounts to be repaid in less than one year and reflected in the balance sheet, deducting provisions for doubtful or bad debts.

Provisions for doubtful debts are created in cases, when the Company's management believes that the recoverability of these liabilities is uncertain.

Provisions for doubtful accounts receivable are calculated based on the information about the financial state of the respective debtor and debt recovery, as well as analysis of the debt age structure. Provisions for the separate accounts receivable are made in cases when there are an objective evidence that recovery of these accounts receivable is doubtful.

General provisions for the doubtful accounts receivable are calculated based on the analysis of debt age.

Accounting policies (continued)
Accounts receivable

In the reporting year the following provisions rates were applied:

Accounts receivable (delay in days)	1 – 30	31 – 90	91 – 180	181 – 365	> 365
Rate of provisions, %	2	15	60	85	100

Bad debts are written off, when their recovery is considered as impossible.

Cash and cash equivalents

Cash and cash equivalents are bank account balances, cash in transit and bank deposits, the initial term of which do not exceed three months.

Derivative financial instruments

Derivative financial instruments are financial instruments whose value changes depending on the determined interest rates, securities price, foreign exchange rate, index of price or rate, credit rating or the similar variable size changes and which is influenced by one or more financial risks which inhere the existing primary financial instrument that is the basis of derivative financial instrument.

The Company uses derivative financial instruments such as forward foreign exchange contracts and currency swaps contracts, which initially are reflected at purchase value (including transaction costs) and hereafter are reevaluated and reflected at their fair value. Derivative financial instruments fair value is calculated applying the discounted cash flow method taking into account market interest rates and exchange rates on the balance sheet date.

All derivative financial transactions are shown as assets in the case of increase of fair value and as liabilities in the case of decrease of fair value. Derivative financial instruments are used as financial hedging instruments in accordance with 39 IAS conditions. The Company does not hold and issue derivative financial instruments for trading.

Before the transaction is identified the hedging instrument, evaluated or the hedge result will be an efficient and evaluate whether limiting effectiveness can be measured reliably. The transaction has been delimited.

At a time between transaction occurrence moment (received invoice /recognized in the balance sheet) and hedge accounting start-up time any value changes of derivative financial instrument in the result of currency fluctuations are recognized in Equity "Financial instrument revaluation reserve".

At the time, when the transaction, which foreign currency risks are hedged, takes place (received invoice /recognized in the balance sheet), the corresponding asset of liabilities are recognized, "Financial instrument revaluation reserve" is adjusted and purchase value is corrected for sum that is accrued in Equity "Financial instrument revaluation reserve" regarding the specific transaction deleting this reserve and respectively increasing/decreasing corresponding asset/liabilities accounting value.

The hedge accounting was applied for the purchase transactions of inventories with high confidence level, thus the result related these transactions was included in equity.

Loans

Loans are recognized at purchase value that is the fair value of the received compensation, deducting transaction costs that are directly attributable to receipt of a loan. In the next periods loans are evaluated at amortized purchase value, using effective interest rate method. Revenue or loss are recognized in the profit or loss account as interest income or expenses when liabilities are excluded from the balance sheet, using amortization process. Part of loans, repayment term of which exceeds 12 months, is included in the long-term liabilities.

Provisions

Provisions are made in cases when the Company, as a result of past events, has current legal liabilities or caused as a result of practice and it is expected that resources of economic value will be necessary to settle these liabilities and it possible to estimate the amount of these liabilities reliably.

In the balance sheet provisions are reflected, indicating the amount of expenses as precisely as possible, which is necessary to settle liabilities in the amount disclosed at the balance sheet date. Provisions are used only in relation to expenses for which they were initially created and they are reduced in case the possible outflow of resources cannot be estimated.

Accounting policies (continued)

Provisions

At the end of the reporting year, there was created provisions for guarantee repairs, evaluating conditions of contracts concluded with clients and the respective projects. Provision is created as certain percentage from revenue of implemented projects for the guarantee period defined in the contract.

Accrued liabilities

Accrued liabilities are clearly known amounts of settlement with suppliers and contractors for goods or services received in the reporting year, if a relevant payment document has not been received at the balance sheet date.

As at the end of the reporting year, the accrued expenses of unused vacations, accrued expenses for bonuses for performance results in the reporting year, termination benefits and other accrued expenses for which services have been received in the reporting year have been created. The accrued expenses for unused vacations are calculated multiplying the number of unused vacation days of an employee with the average employee's daily salary. The accrued expenses for bonuses are created on the basis of the assessment of the Company's and individual goals completion in accordance with the bonus scheme implemented in the Company. The accrued expenses for termination benefits are created in accordance with termination rates determined by the trade union on the basis of the annual salary and time an employee has worked in the Company. The compulsory state social security contributions are added to the accrued expenses for unused vacations, bonuses and termination benefits.

Possible liabilities and assets

Possible liabilities are not disclosed in the financial statements. Information on the possible liabilities is disclosed in the note, except for cases, when the probability of outflow of resources that include economic benefits is immaterial. Possible assets are not disclosed in the financial statements but information is disclosed in the notes, if inflow of economic benefits is probable.

Pension fund

Since 2012, the amount of payments to the pension fund, within prescribed limit, is chosen by each employee independently.

Payments to the pension fund are accounted as expenses in the period when the respective employee has provided the services stipulated in the labour contract.

The Company holds 1.85% of AS *Pirmais Slēgtais Pensiju Fonds* shares, however, the Company is a formal shareholder. Investment in the share capital of the fund was written off as expenses as at the date of establishment, as risks and rewards related to the pension fund are related only to the participants of the pension plan – employees of the Company.

Income taxes

Income taxes represent the Corporate Income Tax and Deferred tax for the reporting year.

Corporate Income Tax for the reporting year is calculated applying the tax rate of 15% determined in the law.

For accrued expenses for which as at the date of submission of the Corporate Income Tax declaration no external supporting documents were received, the Company correct the taxable income. The adjusted amounts are determined according to account balances of the accrued liabilities, reducing those by the amount of expenses on the basis of the external supporting documents

Deferred tax assets and liabilities

Deferred tax is calculated applying the liability method to all temporary differences between values of assets and liabilities that are used for tax calculations and their value in the accounting records.

To determine the amount of the amount of deferred assets and liabilities, there are used tax rates that are expected in the periods when the respective asset will be used or liabilities settled based on the tax rates on balance sheet date. Temporary differences arise mainly of the depreciation of fixed assets, provisions and accrued liabilities.

Deferred tax assets are recognized only if there is a high probability that in the future a taxable profit can be obtained against which the deductible temporary differences can be used.

Accounting policies (continued)

Revenue recognition

Revenue is recognized when goods are delivered and services are provided.

Revenue from sales of goods are recognized at the time of delivery, if material risks and rewards related to property rights are transferred to the buyer and the seller does not retain further management rights that usually are related to property rights, not real control over the goods sold.

Revenue for the services provided are recognized at the moment when services are provided, on the basis of time spent.

Interest income is recognized in the profit or loss account applying the effective interest rate method.

Long-term contracts

Long-term contract is a specific contract on establishment of the object or set of assets. Set of assets are assets that are closely related or mutually dependent upon the project, technology and function, or due to their final purpose or use.

Long-term contracts are contract prescribing that works are commenced in one financial reporting period and accomplished in other, although the total term for accomplishment can be less than 12 months.

If the result of a long-term contract can be estimated reliable, revenue and expenses related to such contract are recognized in the profit or loss account as income and expenses, considering the stage of accomplishment of the contractual works in per cent as at the balance sheet date. If the result of a long-term contract cannot be estimated reliably, revenue is recognized to the extent it is possible to recover the expenses related to the contract and a part of the expected profit is not recognized. Expenses related to contract are recognized when incurred. The stage of completion is assessed in per cent, on the basis of costs of work accomplished. Expected losses from the contract are recognized as expenses in the profit or loss account.

Dividends

Dividends are recognized in the financial statements in the period when the Company's shareholders general meeting confirm payment of dividends.

Events after the balance sheet date

Amounts recognized in the financial statements are adjusted considering events after the balance sheet date, which provide additional information about the Company that was true at the balance sheet date (adjusting events). Events after the balance sheet date that are not considered adjusting are reflected in the note of the financial statements, if they are significantly.

Comparative figures

In cases, when the classification of certain items of the financial statements is changed to provide a more fair view on the Company's financial state, the comparative figures of its operating results and cash flows are adjusted in accordance with the new classification.

Application of assessments and more important assumptions

Preparing the financial statements, the management, in accordance with Latvian Accounting Regulations, has to base on certain estimates and assumptions related to recognition of assets, liabilities, revenues and expenses and contingent liabilities. Estimates are mainly related to recognition of revenues from long-term contracts, useful life of fixed assets, provisions for guarantee repairs, provisions for doubtful debts and obsolete stocks, as well as fixed assets impairment evaluation. Although these estimates are based on comprehensive management information on current events and activities, actual results may differ from these estimates.

1. NET TURNOVER

	2015	2014
	EUR	EUR
Income from construction of engineering systems and infrastructure	20 331 286	19 935 782
Income from servicing and maintenance services provided to electronic communication network	3 009 962	2 987 703
Income from sale of materials	1 682 318	769 945
Total	25 023 566	23 693 430

2. COSTS (CAPITALIZED) REFERENCED TO OWN LONG-TERM INVESTMENTS

	2015	2014
	EUR	EUR
Personnel costs	1 334	-
Other costs	136	-
Total	1 470	-

3. OTHER OPERATING INCOME

	2015	2014
	EUR	EUR
Income from lease of fixed assets	6 954	22 315
Gain on disposal of fixed assets	-	5 353
Other income	40 150	10 349
Total	47 104	38 017

4. WRITE-OFF OF THE VALUE OF CURRENT ASSETS

	2015	2014
	EUR	EUR
Write-off accounts receivable and creation of provisions	(272 972)	2 403
Costs of write-off inventories	(28 547)	(9 514)
Provisions for slow moving inventories	(8 639)	(150 971)
Total	(310 158)	(158 082)

5. OTHER OPERATING COSTS

	2015	2014
	EUR	EUR
Engineering systems, infrastructure construction services costs and material costs	(14 132 939)	(13 196 160)
Car lease, maintenance costs	(1 055 022)	(1 185 851)
Network, equipment maintenance services costs and material costs	(589 050)	(544 553)
Office and administrative expenses	(388 149)	(388 761)
Rent and maintenance of premises, public utilities	(281 553)	(303 141)
IT services costs	(210 918)	(209 573)
Other costs of economic activity	(194 773)	(207 925)
Total	(16 852 404)	(16 035 964)

6. INTEREST INCOME AND EXPENSES

	2015	2014
	EUR	EUR
Other income from interest and similar income		
net profit from exchange rate fluctuations	45 876	11 292
Total	45 876	11 292
Interest payments and similar costs		
on loans	(13 737)	(12 311)
Total	(13 737)	(12 311)

7. INCOME TAXES

	2015	2014
	EUR	EUR
Corporate income tax:		
- reporting year	(145 618)	(77 020)
- correction of the previous year*	6 289	354 215
Deferred tax	88 013	(455 070)
Total	(51 316)	(177 875)

* Correction of Corporate Income Tax for the previous year is related to the accrued expenses, the external supporting documents of which were not received at the date of the annual report and therefore those were considered as expenses that are not deductible in the calculation of the Corporate Income Tax, while at the date of submission of the Corporate Income Tax declaration the external supporting documents were received and the taxable income adjustment was not necessary.

The mentioned correction does not have an impact on the total corporate and deferred tax expenses, as for the amount of accrued liabilities that is corrected in the tax calculation, the deferred tax assets is recognized.

Actual income tax comparison with theoretical calculations:

	2015	2014
	EUR	EUR
Profit before taxes	592 424	863 978
Theoretically calculated corporate income tax - 15%	88 864	129 597
Tax correction for:		
expenses that are not deductible, determining taxable income	23 561	50 423
other	(61 109)	(2 145)
Total	51 316	177 875

Changes of deferred tax

	2015	2014
	EUR	EUR
Balance at the beginning of the reporting year	366 683	821 753
Income/(expenses) of deferred tax	88 013	(455 070)
Balance at the end of the reporting year	454 696	366 683

Deferred tax assets and liabilities are mutually excluded as income tax refers to the same tax administration institution

In the Balance sheet position "Deferred tax assets" are included following amounts:

	31.12.2015	31.12.2014
	EUR	EUR
From temporary differences between the fixed assets value in the balance sheet and tax calculation purpose	(16 012)	(12 918)
From doubtful accounts receivable	44 146	-
From accrued liabilities and provisions	426 562	379 601
Deferred tax asset	454 696	366 683

8. INTANGIBLE ASSETS

	Other Intangible assets EUR	Creation of Intangible assets EUR	Total EUR
Purchase value			
31 December 2014	89 803	-	89 803
Purchased	-	36 417	36 417
Put into operation	8 327	(8 327)	-
31 December 2015	98 130	28 090	126 220
Amortization			
31 December 2014	(39 318)	-	(39 318)
Amortization	(18 177)	-	(18 177)
31 December 2015	(57 495)	-	(57 495)
Remaining value			
31 December 2014	50 485	-	50 485
31 December 2015	40 635	28 090	68 725

In 2015 capital investment in the intangible assets were EUR 36 417 (In 2014 - EUR 40 051).

9. FIXED ASSETS

	Buildings EUR	Equipment and machinery EUR	Other fixed assets and inventory EUR	Creation of fixed assets EUR	Total EUR
Purchase value					
31 December 2014	6 382	136 635	3 187 345	67 316	3 397 678
Purchased	-	-	-	104 584	104 584
Put into operation	-	4 421	132 282	(136 703)	-
Excluded in the reporting year	-	(555)	(90 470)	-	(91 025)
31 December 2015	6 382	140 501	3 229 157	35 197	3 411 237
Depreciation					
31 December 2014	(608)	(132 800)	(2 842 419)	-	(2 975 827)
Depreciation	(912)	(1 880)	(154 664)	-	(157 456)
Excluded in the reporting year	-	555	90 370	-	90 925
31 December 2015	(1 520)	(134 125)	(2 906 713)	-	(3 042 358)
Remaining value					
31 December 2014	5 774	3 835	344 926	67 316	421 851
31 December 2015	4 862	6 376	322 444	35 197	368 879

In 2015 capital investment in the fixed assets were EUR 104 584 (In 2014 - EUR 148 419).

In 2015 the useful life of the Company's fixed assets was not changed.

The additions of fixed assets include personnel and other costs that are directly related with introduction of fixed assets and are capitalized on basis of the amount of spent hours in these project. The total amount of capitalized expenses in 2015 amounted to EUR 1 470 (Note 2).

The Company in its economic activity uses also fully depreciated intangible assets and fixed assets. The initial purchase value of these intangible assets and fixed assets is EUR 2 613 402 (In 2014 - EUR 2 627 394).

10. INVENTORIES

	31.12.2015.	31.12.2014.
	EUR	EUR
Raw materials and materials	2 428 500	1 728 762
Provision for obsolete and slow-moving goods	(242 445)	(233 806)
Advance payments for goods	55 890	-
Total Inventories	2 241 945	1 494 956

Provision for obsolete and slow-moving goods

	2015	2014
	EUR	EUR
Provisions at the beginning of reporting year	233 806	82 835
Created provisions in the reporting year	8 639	150 971
Provisions at the end of reporting year	242 445	233 806

11. TRADE RECEIVABLES

	31.12.2015.	31.12.2014.
	EUR	EUR
Accounts receivable-Latvian clients	5 860 525	2 278 246
Accounts receivable –foreign clients	74 699	-
Provision for doubtful debts	(326 921)	(440 224)
Total trade receivables	5 608 303	1 838 022

Movement of provisions for doubtful and bad debts

	2015	2014
	EUR	EUR
Provisions at the beginning of reporting year	440 224	453 865
Written off doubtful accounts receivable	(386 275)	(11 238)
Recovered doubtful accounts receivable	(35 094)	(19 213)
Created provisions for doubtful accounts receivable	308 066	16 810
Provisions at the end of reporting year	326 921	440 224

12. OTHER DEBTORS

	31.12.2015.	31.12.2014.
	EUR	EUR
Advanced payments to foreign suppliers	809 124	724
Overpaid taxes (Notes 18)	218 636	236 963
Advanced payments to Latvian suppliers	151 077	73 122
Settlements with employees	50 306	46 908
Total other debtors	1 229 143	357 717

13. ACCRUED INCOME

	31.12.2015.	31.12.2014.
	EUR	EUR
Accrued income*	3 590 341	3 696 979
Total accrued income	3 590 341	3 696 979

* Accrued income for the construction projects in progress are recognized on the basis of percentage of completion at the balance sheet date.

14. CASH

	31.12.2015.	31.12.2014.
	EUR	EUR
Cash in banks	586 836	111 160
Total cash	586 836	111 160

15. SHARE CAPITAL

In 2015 the company's share capital was denominated from lats to euro (EUR). At the end of 2015 share capital of *Citrus Solutions* was EUR 1 070 999 with nominal value of each part EUR 1. SIA *Lattelecom* holds 100% of *Citrus Solutions* share capital. The Company's share capital paid by making property investment.

15a. RESERVES

The hedge accounting was applied for the purchase transactions of inventories with high confidence level, thus the result related these transactions was included in equity in amount of EUR 12 935. During 2015 for the reduction of currency risk there were used derivative financial instruments (forwards) in amount of 562 000 USD.

16. PROVISIONS

Movement in provisions for warranty repairs

	2015 EUR	2014 EUR
Provisions at the beginning of reporting year	879 672	366 749
Created provisions in the reporting year, net	(261 346)	512 923
Provisions at the end of the reporting year	618 326	879 672

17. ACCOUNTS PAYABLE

	31.12.2015. EUR	31.12.2014. EUR
Settlements with suppliers in Latvia	3 486 273	2 119 869
Settlements with suppliers abroad	252 250	150 857
Total accounts payable	3 738 523	2 270 726

18. TAXES AND STATE MANDATORY SOCIAL INSURANCE PAYMENTS

(a) Tax payments in Latvia

	Balance 31.12.2014 EUR	Calculated in 2015 EUR	(Paid)/ Repaid in 2015 EUR	Correction in 2015 EUR	Redirected in 2015 EUR	Balance 31.12.2015 EUR
Corporate income tax (Notes 7)	(195 884)	145 618	(90 968)	(6 289)	202 174	54 651
Value added tax	(41 079)	(836 113)	658 556	-	-	(218 636)
State mandatory social insurance payments	155 947	1 476 489	(1 259 346)	-	(202 174)	170 916
Business risk fee	97	1 157	(1 157)	-	-	97
Personal income tax	-	860 944	(860 944)	-	-	-
Total taxes	(80 919)	1 648 095	(1 553 859)	(6 289)	-	7 028
including taxes liabilities	156 044					225 664
taxes overpayment	(236 963)					(218 636)

(b) Tax payments in Lithuania

	Balance 31.12.2014 EUR	Calculated in 2015 EUR	Paid in 2015 EUR	Balance 31.12.2015 EUR
Value added tax	105	16 695	(16 800)	-
Total taxes	105	16 695	(16 800)	-
including tax liabilities	105			-

**Total taxes and state mandatory
social insurance payments**
including tax liabilities

80 814	7 028
156 149	225 664

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taxes overpayment (236 963) (218 636)

19. OTHER CREDITORS

	31.12.2015.	31.12.2014.
	EUR	EUR
Settlements with the pension fund	1 508	1 635
Other	104	152
Total other creditors	1 612	1 787

20. DEFERRED INCOME

	31.12.2015.	31.12.2014.
	EUR	EUR
Security systems maintenance services	-	10 301
Total deferred income	-	10 301

21. ACCRUED LIABILITIES

	31.12.2015.	31.12.2014.
	EUR	EUR
Accrued expenses for construction of engineering systems and infrastructure	1 239 035	421 052
Accrued bonuses costs for the work results of reporting year	403 671	602 475
Accrued expenses on unused vacations	297 863	285 198
Accrued expenses for termination benefits	97 150	170 762
Accrued expenses for servicing and maintaining electronic communication network	16 046	49 066
Other accrued expenses	119 781	100 667
Total accrued liabilities	2 173 546	1 629 220

22. TRANSACTIONS WITH RELATED PARTIES

SIA *Citrus Solutions*, SIA *Lattelecom BPO* and SIA *Lattelecom Technology* are 100% daughter enterprises of SIA *Lattelecom*. Furthermore SIA *Lattelecom* indirectly owns SIA *Lattelecom Technology* 100% daughter enterprise SIA *Baltijas Datoru Akadēmija* and SIA *Lattelecom Technology* 100% (till 10 June 2015 *Lattelecom BPO*) daughter enterprise SIA *Media 360* (since 10 June 2015).

Citrus Solutions material transactions with related companies are following:

(a) Revenue from provided services and sold goods

		2015 EUR	2014 EUR
<i>Lattelecom</i>	(construction of electronic communications network, maintenance services and sale of materials)	10 585 939	8 602 769
<i>Lattelecom Technology</i>	(electrical installation)	1 000	1 098
Total		10 586 939	8 603 867

(b) Costs of received services and goods

		2015 EUR	2014 EUR
<i>Lattelecom Technology</i>	(purchase of materials, IT services)	(1 314 209)	(2 158)
<i>Lattelecom</i>	(purchase of materials, rent of premises and transport, administrative, accounting, communications, IT and other services)	(1 122 546)	(3 026 798)
<i>Lattelecom BPO</i>	(advertising services)	(22)	(515)
<i>Media 360</i>	(payroll accounting services)	-	(22 676)
Total		(2 436 777)	(3 052 147)

(c) Balances of accounts receivable/ payable

	31.12.2015. EUR	31.12.2014. EUR
Related undertaking debts		
<i>Lattelecom</i>	2 881 597	1 292 187
<i>Lattelecom Technology</i>	-	4 035
Total related undertaking debts	2 881 597	1 296 222
Debts to related undertakings		
<i>Lattelecom</i>	122 828	158 437
<i>Media 360</i>	-	152
<i>Lattelecom Technology</i>	4 697	121
Loan from <i>Lattelecom</i> , principal amount	6 736 617	1 801 475
Total debts to related undertakings	6 864 142	1 960 185

In the reporting year *Citrus Solutions* used credit line from the parent company *Lattelecom*, which is issued until June 2017 and available in the amount of EUR 8 000 000. At the end of the reporting year, the Company used credit line in amount of 6 736 617 (in 2014 - EUR 1 801 475). The interest rate of credit line is linked to the inter-bank one-month credit interest rate EURIBOR.

Assets of *Citrus Solutions* are not pledged as a security for loan and available credit resources.

23. INFORMATION ABOUT ONGOING LONG-TERM PROJECTS

	2015	2014
	EUR	EUR
Recognized revenue	17 764 391	10 312 093
Recognized expenses	(15 109 395)	(8 993 913)
Total	2 654 996	1 318 180

24. NUMBER OF EMPLOYEES

	2015	2014
Number of employees at the end of reporting year	267	262
The annual average number of employees	260	266

25. REMUNERATION OF MANAGEMENT

	2015	2014
	EUR	EUR
Member of the board:		
- remuneration	453 193	274 353
- State mandatory social insurance payments	47 684	28 962
Total	500 877	303 315

26. REMUNERATION TO THE COMMERCIAL COMPANY OF SWORN AUDITORS

	2015	2014
	EUR	EUR
Audit of the annual report	6 500	6 500
Total	6 500	6 500

27. CONTINGENT LIABILITIES

Bank guarantees

According to the agreements concluded with AS "Swedbank" and AS "SEB banka" on issuance of guarantees, on 31 December 2015, the Company had received guarantees in the amount of EUR 2 989 387 (in 2014: EUR 1 427 980).

Inventories liabilities

Inventories purchase transactions for which contracts have been signed but the actual performance has not been performed and liabilities have not been included in the financial statements, are as follow:

	2015	2014
	EUR	EUR
Liabilities for materials and raw materials	305 456	52 278
Total	305 456	52 278

28. FINANCIAL RISK MANAGEMENT

Management of financial risks in relation to the Company's liquidity, currency and interest rate fluctuations and credit risk of the transaction partners in the *Lattelecom* group companies is centralized.

Financing and liquidity risk

The group's cash management policy anticipates provision of sufficient liquidity of the group's companies, as well as their ability to finance their operations without any financing limits. According to the group's policy, allocation of the necessary financing to *Citrus Solutions* is organized by the parent company *Lattelecom*. The Company has access to the credit line provided by *Lattelecom* in the amount of EUR 8.0 million until June 2017.

Currency risk

The group's policy is to limit the net currency fluctuation risk as to the all known and expected transactions in foreign currency.

The euro is the dominant currency in the settlements with foreign business partners. Cash in foreign currencies was accumulated for the limitation of currency exchange fluctuations regarding with anticipated transactions.

Interest rate risk

Considering that *Citrus Solutions* loan from parent company has a floating interest rate that is defined for 1 month period, the Company is exposed to interest rate fluctuations risk. Interest rate risk hedging measures in the group are implemented centrally, assessing the interest rate risk impact on the group's financial indicators.

Credit risk

Financial instruments that potentially expose the Company to a certain level of credit risk concentration primarily represent accounts receivables and cash in bank. The Company's policy ensures that goods and services are sold to clients with appropriate credit history. Accounts receivables are shown after deducting the value of doubtful debts. According to the group's cash management policy, the Company's partners in derivative financial instruments and cash transactions are financial institutions with appropriate credit reputation. The parent company is strictly monitoring and limiting the credit risk that is allowed for the group companies with each separate financial institution.

Fair value

The book value of financial assets and liabilities, which term is less than one year, approximately corresponds with their fair value. For the debt liabilities for which interest payments have to be made, market interest rates are applied and it is considered that the book value of these liabilities comply with their fair value.

29. EVENTS AFTER THE END OF REPORTING YEAR

In the period since the last day of the reporting year there have been no events that would significantly influence the Company's financial state on 31 December 2015.

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INDEPENDENT AUDITORS' REPORT

To the shareholders of SIA Citrus Solutions

Report on the Financial Statements

We have audited the financial statements of SIA Citrus Solutions for the year ended 31 December 2015, set out on pages 7 to 27 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015 and the statement of profit and loss, statement of changes in equity and statement of cash flows for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Annual Account Law of the Republic of Latvia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

Opinion

In our opinion the financial statements give a true and fair view of the financial position of SIA Citrus Solutions as of 31 December 2015, and of its financial performance and its cash flows for the year ended in accordance with the Annual Account Law of the Republic of Latvia.

Report on Other Legal and Regulatory Requirements

We have also read the Management Report for 2015, set out on pages 4 to 6 in the accompanying annual report for 2015 and have not identified any material inconsistencies between the financial information contained in the management report and that contained in the financial statements for 2015.

Deloitte Audits Latvia SIA
Licence No. 43

Roberts Stūģis
Member of the board

Rīga, Latvia
22 January 2016

Elīna Sedliņa
Certified auditor of Latvia
Certificate No. 182

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